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C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 001247

SIPDIS

FROM AMBASSADOR GIRARD-DICARLO FOR EUR A/S FRIED AND DAS
BRYZA

E.O. 12958: DECL: 08/29/2023

TAGS: [PREL](#) [ENRG](#) [RU](#) [GG](#) [AU](#)

SUBJECT: EMBASSY ACTION TO BLOCK AUSTRIA-RUSSIA GAS
PIPELINE NEGOTIATIONS

REF: (A) VIENNA 802 (B) VIENNA 1240 AND PREVIOUS

Classified By: Amb. David Girard-DiCarlo Reason: 1.4(b)

¶1. (C) Summary and Action Request: Embassy has learned that an Austrian Economics Ministry delegation is likely to travel to Moscow on Sept. 8 for negotiations on an inter-governmental agreement (IGA) on Austrian participation in the South Stream gas pipeline project. Embassy believes this step is profoundly wrong in the current environment and is engaging the Economics and Foreign Affairs Ministries in an effort to have the trip postponed indefinitely. The Ambassador has placed calls to both Minister Plassnik and Economics Minister Bartenstein and recommends the Department call in the Austrian Charge to deliver the same message. An outline of points the Embassy is deploying is provided in para 5 below. Embassy will also contact the French Embassy to explore EU Presidency views. End Summary and Action Request.

-- Background

¶2. (C) As reported in ref A, the Austrian energy firm OMV is seeking to participate in the South Stream gas pipeline project. To enable an OMV agreement with Gazprom, the Austrian and Russian governments must first negotiate an IGA providing the overall economic and political framework for further corporate negotiations. The Economics Ministry plan to attend the first round of these IGA negotiations, based on a text provided by Russia in July according to OMV contacts, on September 8 in Moscow. OMV representatives will be included in the technical-level Economics Ministry delegation. Embassy contacts at the Economics Ministry sought to play down the significance of this step, noting that final agreement could take weeks or months and will be subject to parliamentary ratification.

¶3. (C) FonMin Plassnik also plans to go forward with a long-scheduled trip to Moscow on September 8. MFA South Caucasus chief Kuglitsch has emphasized that she will deliver a strong message on Russia's unacceptable actions in Georgia. However, Economics Ministry staff also have told us that Plassnik might follow-up their technical pipeline discussions.

¶4. (C) The Economic Ministry has now apparently delayed a final decision on the timing of IGA negotiations until after the September 1 European Council meeting. Based on the results of that meeting, EconMin Bartenstein will make a final call on whether to postpone the Moscow talks. Ministry contacts, however, say it would be "quite difficult" to postpone talks given that Russia and Austria have discussed the agreement since 2007 and absent any long-term strategic shift.

-- Embassy Analysis

¶4. (C) Embassy Vienna finds Austrian plans to proceed with

IGA negotiations inconsistent with the requirements of the situation in Georgia and vis-a-vis Russia and, indeed, with FonMin Plassnik's own statements on the subject. Her initial statement on Georgia, even before recognition, concluded that a return to "business as usual" was not possible. Negotiations on an IGA can be seen as nothing other than exactly that. Moreover, coming immediately after a European Council meeting that is to address the possibility of sanctions, Austria's action would undercut EU diplomacy. Finally, even before Russia's actions in Georgia, the politico-economic impact of the South Stream project was questionable. The project appeared in part to be designed both to divert investment from the Nabucco project and provide Russia with the option of cutting gas supplies to Ukraine without affecting supplies to central and western Europe. In light of its actions in Georgia, which also appear to have been intended to put the security of Georgia as an energy corridor into question, Russian motives for South Stream must be viewed with even greater concern. Now is a time to re-think, not re-engage, on South Stream.

15. (C) Planned Embassy Points:

-- The Embassy and USG have welcomed Austria's strong statements over the last two weeks on Russia's actions in Georgia. We noted in particular FonMin Plassnik's affirmation on August 20 that Austria and the EU could not simply return to business as usual.

-- We look forward to the results of the September 1 European Council meeting, recognizing that Russia's assertion of South Ossetian and Abkhaz independence has heightened the

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importance of a clear, strong and unified European Union position.

-- In light of Russia's actions, the Minister's statement, and the upcoming EU consultations, we do not understand how Austria can consider moving ahead to open negotiations on an inter-governmental agreement on participation in the South Stream project.

- The Russian government will use it to suggest to its people and the rest of the world that Austria, no matter what it says, sees no need to change what it does vis-a-vis Russia.

- This step undermines EU diplomacy, both by pre-judging Minister Plassnik's going-in position at the Council and by undermining solidarity afterwards.

- The IGA negotiations will undermine FonMin Plassnik's own efforts to persuade Russia to change its course in her September 8 meetings in Moscow.

-- In light of Russia's actions in Georgia, which appear in part designed to cast doubt on Georgia's security as an energy transit corridor, South Stream can only be viewed with greater concern. Now is the time to re-think the impact of South Stream, not to move it forward.

-- We can only expect, given all of this, that Austria will postpone these proposed negotiations indefinitely.

- (If asked) We are not asking you to cancel Minister Plassnik's trip, which should focus on Russian withdrawal from Georgia; canceling the Economics Ministry visit does not close any channel of communication with the Russians. Girard-diCarlo